



DEC 2019

# INDONESIA REPORT

CONSTRUCTION MARKET  
UPDATE





## MEIKARTA ▲ JAKARTA, INDONESIA

<b>CLIENT:</b>	PT Mahkota Sentosa Utama
<b>ARCHITECT:</b>	Macture
<b>SERVICE:</b>	Quantity Surveying
<b>COMPLETION:</b>	2022 (For 28 towers)

Meikarta is a \$20 billion development located 47 kilometers east of Jakarta. The project will create a self-contained town with 200 apartment buildings, hospitals, shopping malls, libraries, international schools and universities in the middle of a busy industrial area between Jakarta and Bandung. RLB's contract at the moment is for 28 residential towers with total area of approximately 1,525,000 m<sup>2</sup>.



## INDONESIA ECONOMY

Indonesia's gross domestic product (GDP) rose 5.02 per cent year-on-year (y-o-y) in the third quarter of 2019. This marked the slowest growth since the second quarter of 2017. Although Indonesia relies more on domestic demand, the economy is nevertheless affected by the global economic slowdown driven by the trade war between the United States and China.

In the third quarter, household consumption, which makes up over half of Indonesia's GDP, eased slightly from 5.2 per cent growth to 5.01 per cent growth y-o-y, as reported by Statistics Indonesia (BPS). Government spending and investment have also slowed, along with flat exports and plunging import volumes. The Finance Minister in August revised the GDP growth outlook for 2019 downwards to 5.08 per cent, reflecting lowered expectations.

Indonesia's economy is expected to perform better in 2020 on the back of improved commodity prices and easing external pressures, economists said. This is in line with the government's aim to lift GDP growth to 5.3 per cent in 2020.

The annual inflation rate in December was 2.72 per cent, representing the slowest increase in consumer

prices since March this year. The December annual core inflation rate, which excludes government-controlled and volatile prices, also cooled slightly to 3.02 per cent from 3.08 per cent in November 2019. Inflation stayed within the central bank's, Bank Indonesia (BI), target range for most of 2019, while it is projected to fall within a range of 2 per cent to 4 per cent in 2020.

Indonesian President Joko Widodo announced the site of the new capital on 26 August 2019, pending ratification by the Parliament. Design work and masterplan will be completed by mid-2020, together with the draft Bill which will be put before the Parliament. The shift of the Indonesian capital from Jakarta to East Kalimantan is expected to cost US\$33 billion and construction is expected to complete within three to four years.

Following the strengthening of the Rupiah to an over 18-month high in December, the central bank advised it will allow the currency to strengthen in line with market movements. It added that the Rupiah is "not yet overvalued". The central bank in 2019 cut its main policy four times by a total of 100 basis points (bps) and relaxed lending rules in an easing cycle aimed at lifting GDP growth and will continue its accommodative policy in 2020.



## INDONESIA CONSTRUCTION MARKET

From January 2019 to August 2019, Indonesia completed 19 National Strategic Projects (PSN) with a total investment of IDR87.7 trillion (US\$6.21 billion). The projects consisted of three airports, five roads and four special economic zones among others.

The Indonesian government targets to build 22 new infrastructure projects under the PSN in 2020 and have budgeted IDR120.21 trillion (US\$8.58 billion) for the Public Works and Public Housing Ministry. This fund will be allocated for the development of water resources infrastructure, habitation and housing across the country.

Fixed investment growth softened in the third quarter of 2019. In line with the deceleration in investment activity, particularly in building and structures, the construction sector growth slowed modestly. Net direct investment fell from US\$5.4 billion in the second quarter to US\$4.8 billion in the third quarter, partly supported by foreign investors inflows for toll roads construction.

Property market in the short to medium term remains subdued as prevailing global economic headwinds continue to undermine investors' confidence. The total inventory for strata-title apartments increased by 1.7 per cent quarter-on-quarter (q-o-q) in the third quarter while the demand remained low. Experts believe the market will require more time to absorb the unsold units as the overall take-up rate has not changed over the last quarters.

In addition, depressed rental yield may also further discourage investors from entering the market, exacerbating the already weak market sentiment.

Prominent ongoing construction projects in Indonesia include the Meikarta, Pakuwon Mixed Use Development, Pakubuwono Patra Luxury Condominium and Balikpapan-Samarinda Toll Road. A major project in the pipeline is the development of the new capital city in East Kalimantan, projected to start in 2021 barring unforeseen circumstances that may delay the ambitious timeline.

Labour and material supply prices have remained largely stable with fluctuations within a small range for the year of 2019.

While travel restrictions put in place to prevent the spread of the coronavirus (COVID-19) have prevented many Chinese workers from returning after the Lunar New Year, the impact to the construction industry appears to be minimal at present. Prolonged restrictions may, however, lead to delays in projects such as the high-speed railway linking Jakarta to Bandung by China Railway International Group.

Barring any unforeseen market conditions, the anticipated construction tender price escalation in Jakarta is in the order of 3 per cent for the year 2020.



# MARKET PRICES AND CURRENCY EXCHANGE

## LABOUR PRICES

SELECTED OCCUPATIONS	UNIT	AVERAGE SUPPLY RATE IDR ('000)			
		4Q2018	1Q2019	2Q2019	3Q2019
General Workers	Day	110,000	110,000	110,000	110,000
Carpenter (General)	Day	155,000	158,000	158,000	158,000
Tiler	m <sup>2</sup>	47,500	48,000	48,000	48,000
Concretor	m <sup>3</sup>	50,500	52,000	55,000	55,000
Steel bar worker	Kg	2,000	2,200	2,200	2,200
Formworker	m <sup>2</sup>	70,000	72,500	72,500	72,500
Brick Layer	m <sup>2</sup>	30,000	32,500	35,000	35,000
Plasterer	m <sup>2</sup>	40,000	42,000	45,000	45,000
Painter	m <sup>2</sup>	28,000	28,000	28,000	28,000
Glazer	m <sup>2</sup>	225,000	225,000	225,000	225,000
Plumber	Day	180,000	180,000	180,000	180,000
Electrician	Day	180,000	180,000	180,000	180,000

Data Sources: Public Works Department Indonesia (Jakarta); Market Sources

**Exclusions:** • Plant and Equipment • Transport • Wastage • Overheads and Profit • Import Tax • Value Added Tax (VAT)

**Notes:** All supply prices and labour rates stated above are only applicable for building construction projects in Jakarta.

## CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE ('000 IDR)			
		4Q2018	1Q2019	2Q2019	3Q2019
Concreting Sand	m <sup>3</sup>	226,000	225,000	230,000	230,000
Stone Aggregate (20mm)	m <sup>3</sup>	255,000	210,000	210,000	210,000
Ordinary Portland Cement	kg	70,000	69,000	68,000	68,000
Reinforced Concrete (Grade 30 MPA)	m <sup>3</sup>	870,000	895,000	920,000	920,000
Reinforced Concrete (Grade 40 MPA)	m <sup>3</sup>	930,000	950,000	980,000	980,000
High Tensile Steel Bars (10 - 40mm)	kg	8,800	8,400	8,200	8,200
Mild Steel round bars (6 - 20mm)	kg	8,800	8,400	8,200	8,200
Structural Steelwork (U-beam, stanchions)	tonne	12,500,000	12,300,000	12,300,000	12,300,000
Timber Sawn Form-work	m <sup>2</sup>	160,000	170,000	170,000	170,000
Clay Bricks (100mm thick brick-wall)	m <sup>2</sup>	110,400	108,000	110,000	110,000

Data Sources: Market Sources

**Exclusions:** • Plant and Equipment • Transport • Wastage • Overheads and Profit • Tax Expenses (VAT)

**Notes:** All supply prices stated above are only applicable for building construction projects in Jakarta. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

## CURRENCY EXCHANGE

CURRENCY	UNITS PER USD			
	4Q2018	1Q2019	2Q2019	3Q2019
Indonesian Rupiah (IDR)	14,801	14,099	14,232	14,119

Data Source: Oanda

## JAKARTA CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA IDR ('000) / m <sup>2</sup>	COST PER CFA USD / m <sup>2</sup>
<b>OFFICE</b>		
Good Quality, 10 to 25 storeys	7,500 - 8,800	530 - 620
Good Quality, 26 to 40 storeys	9,000 - 11,550	640 - 820
Prestige, 10 to 25 storeys	10,130 - 11,730	720 - 830
Prestige, 26 to 40 storeys	12,100 - 15,900	860 - 1,130
<b>HOTEL (Excluding FF&amp;E)</b>		
Three Star	13,500 - 19,000	960 - 1,350
Five Star	18,000 - 24,000	1,270 - 1,700
<b>COMMERCIAL</b>		
Retail	6,520 - 9,000	460 - 640
<b>RESIDENTIAL</b>		
Good Quality Condominium	6,870 - 8,500	490 - 600
Luxury Condominium	8,000 - 16,000	570 - 1,130
<b>INDUSTRIAL</b>		
Warehouse	4,790 - 6,080	340 - 430
Factory	5,200 - 6,500	370 - 460
<b>CARPARK</b>		
Multi Storey	3,500 - 4,500	250 - 320
Basement outside CBD	4,000 - 6,000	280 - 420
Basement, CBD	6,000 - 8,000	420 - 570

**Notes:** Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Jakarta construction prices stated herein are as at 3rd Quarter 2019 and include a general allowance for foundation and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

**Exchange Rate Assumption:** 1 USD = 14,119 IDR

**Exclusions:** • Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Loose furniture, fittings and works of art • Tenancy work • Site infrastructure work • Diversion of existing services • Resident site staff cost • Models and prototypes • Future cost escalation • Import Tax • Value Added Tax (VAT)

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